

## Message Text

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ORIGIN EUR-12

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DRAFTED BY EUR/EE:WSSHEPARD/FDR

APPROVED BY EUR/EE:NGANDREWS

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P 211834Z APR 75

FM SECSTATE WASHDC

TO AMEMBASSY BUDAPEST PRIORITY

C O N F I D E N T I A L STATE 090885

E.O. 11652: GDS

TAGS: PFOR,HU,ETRD,CVIS

SUBJECT: SZABO FAREWELL CALL ON ANDREWS

1. DURING APRIL 17 FAREWELL CALL ON EUR/EE DIRECTOR ANDREWS, HUNGARIAN AMBASSADOR SZABO REFERRED TO CURRENT VISIT OF AKAR OF FINANCE MINISTRY AS EVIDENCE OF HUNGARY'S "SERIOUS WISH TO DO AWAY WITH REMNANTS OF THE PAST." ANDREWS SAID THERE APPEARED TO BE NO PROBLEM AS FAR AS SETTLEMENT BETWEEN GOH AND FOREIGN BONDHOLDERS PROTECTIVE COUNCIL ON STATE AND MUNICIPAL BONDS WAS CONCERNED. THERE IS, HOWEVER, LEGISLATION WHICH GIVES THE SEC A KEY ROLE INDETERMINING WHEN A CORPORATE BOND IS NO LONGER COMMERCIALY NEGOTIABLE. FBPC AND DEPARTMENT LAWYERS ARE NOW EXPLORING THIS TECHNICAL QUESTION IN ORDER TO ENSURE THAT ONCE THE CORPORATE BOND DEBT HAS BEEN PAID UNDER THE SETTLEMENT, THEY NO LONGER ARE DEEMED NEGOTIABLE INSTRUMENTS UNDER U.S. LAW.

2. REGARDING THE POST-WORLD WAR I DEBT, ANDREWS EXPLAINED THIS IS A BIT MORE COMPLICATED SINCE CONSULTATIONS WITH CONFIDENTIAL

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CONGRESS ARE INVOLVED.HOWEVER, WE WELCOME THE HUNGARIAN

INITIATIVE ON THIS MATTER, AND WHEN THIS DEBT IS DISCHARGED THE RESTRICTIONS OF THE JOHNSON ACT WILL NO LONGER

APPLY TO HUNGARY. IN SUMMARY, LEGAL AND TECHNICAL PROBLEMS EXIST, BUT IN PRINCIPLE WE WERE IN AGREEMENT THAT THEY SHOULD AND COULD BE SOLVED.

3. ON DIVIDED FAMILIES, ANDREWS SAID THAT THIS WAS "ON TOP OF OUR AGENDA WITH NEARLY ALL EASTERN EUROPEAN COUNTRIES." HE SAID SOME CASES ARE FASTER TO SOLVE THAN OTHERS, AND WE SEEK COOPERATION IN THEIR RESOLUTION. THE MESTERHAZY CASE HAS ATTRACTED WIDE ATTENTION AND A SENATOR PERSONALLY RAISED IT WITH THE SECRETARY LAST YEAR. MESTERHAZY BELIEVES THAT MAKING NOISE IN CONGRESS IS THE BEST WAY TO ACHIEVE HIS SON'S EMIGRATION. OUR REPLY IS THAT WE SHARE HIS DESIRE TO HAVE HIS SON AND FAMILY JOIN HIM, BUT THERE ARE OTHER WAYS TO GO ABOUT IT. FROM HIS STANDPOINT, OUR LOW-KEY APPROACH HAS NOT BEEN SUCCESSFUL, AND HE BELIEVES THE ONLY PATH LEFT TO HIM IS TO BLACKEN THE GOH IN CONGRESS AND THE PRESS. ANDREWS NOTED THAT ZSOLT MESTERHAZY WILL SHORTLY APPEAL THE LATEST REJECTION OF HIS APPLICATION AND WE UNDERSTAND A DECISION ON THE APPEAL WILL BE ISSUED WITHIN 30 DAYS. WE ARE WAITING TO SEE WHAT THAT DECISION WILL BE.

4. SZABO SAID THAT AS DEPUTY MINISTER NAGY HAD TOLD AMB PEDERSEN, THE WAY FOR SUCH CASES TO BE SOLVED IS IN A LOW KEY. ANDREWS SAID THAT THE CONGRESS AND MESTERHAZY HAD THE OPPOSITE VIEW. HE NOTED THAT WE HAVE IN FACT BEEN HANDLING IT IN LOW KEY FOR SEVERAL MONTHS. MESTERHAZY HAS BEEN QUIET IN RESPONSE TO OUR COUNSEL BECAUSE HE THOUGHT THE APPLICATION WOULD BE APPROVED. AFTER THE REJECTION OF THE APPLICATION, HE WROTE TO AT LEAST ONE SENATOR. WE ARE ADVISING HIM TO LET THE APPEAL PROCEED QUIETLY AND, IF IT IS SUCCESSFUL, NOT TO PUBLICIZE HIS FEELINGS. IF THE APPEAL IS DENIED, HOWEVER, WE LOSE WHATEVER INFLUENCE WE MAY HAVE ON HIS ACTIVITIES. WE EXPECT HE WILL PROTEST THE GOH DECISION VIGOROUSLY AND TELL CONGRESS THAT HIS SON WOULD NOT HAVE FILED NEW APPLICATIONS IN THE ABSENCE OF ASSURANCES FROM THE GOH THAT THEY WOULD BE CONFIDENTIAL.

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BE CONSIDERED FAVORABLY. ANDREWS CONTINUED THAT THIS CASE HAS ASSUMED IMPORTANCE IN THE EYES OF MEMBERS OF CONGRESS WHOM WE TRY TO PERSUADE TO TAKE A FAVORABLE ATTITUDE TOWARD HUNGARY. HE CONCLUDED THAT HE WISHED TO PRESENT THE

PROBLEM TO SZABO IN A REALISTIC WAY AND NOW THE MATTER WAS IN THE HANDS OF THE GOH. IN RESPONSE TO SZABO'S REFERENCE TO EMIGRATION AS A DOMESTIC MATTER, ANDREWS UNDERSCORED ITS BILATERAL NATURE, NOT JUST WITH HUNGARY, BUT WITH OTHER EE COUNTRIES AS WELL.

5. SZABO THEN SURVEYED DEVELOPMENTS DURING HIS TENURE HERE IN FAMILIAR TERMS. HE SAID REGARDING THE "ROYAL

JEWELRY" THAT IT SHOULD BE RETURNED AS SOON AS POSSIBLE,  
AND THE GOH BELIEVES THE TIME IS COMING FOR ITS RETURN,  
"OR IS NOW HERE." HE CALLED OUR ATTENTION TO THE FACT  
THAT FOREIGN MINISTER PUJA RAISED IT AT THE ELEVENTH  
PARTY CONGRESS. ANDREWS CONCLUDED BY NOTING THAT BILATERAL  
ISSUES CANNOT BE SEPARATED FROM OTHER MATTERS. AGREEMENT  
IN EVERYTHING IS NOT EXPECTED, BUT THERE ARE VARIOUS WAYS  
IN WHICH VIEWS CAN BE EXPRESSED IN THE PRESS AND BY GOH  
SPOKESMEN, AND HE CALLED SZABO'S ATTENTION TO DELETERIOUS  
EFFECTS OF OFFENSIVE REFERENCES TO AMERICAN POLICIES AND  
LEADERS. MEETING ENDED WITH EXCHANGE OF COURTESIES AND  
ANDREWS' STATEMENT THAT WE ARE LOOKING FORWARD TO ARRIVAL  
OF AMBASSADOR ESZTERGALYOS AND WILL DO ALL WE CAN TO  
FACILITATE HIS SETTLING IN HERE.

6. AS HE WAS LEAVING THE DEPARTMENT, SZABO TOLD HUNGARIAN  
DESK OFFICER THAT HE WOULD REPORT THIS CONVERSATION TO THE  
GOH UPON HIS RETURN TO BUDAPEST. KISSINGER

CONFIDENTIAL

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